

SHELBY COUNTY
MYRTUE MEMORIAL HOSPITAL
D/B/A MYRTUE MEDICAL CENTER

INDEPENDENT AUDITOR'S REPORTS
FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS AND RESPONSES

YEARS ENDED JUNE 30, 2020 AND 2019

MYRTUE MEDICAL CENTER

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MYRTUE MEDICAL CENTER
Officials
June 30, 2020

<u>Board of Trustees:</u>	<u>Address</u>	<u>Term Expires</u>
Terry Torneten, Chairperson	Harlan, Iowa	January, 2022
Jeanine Larsen, Vice-Chairperson	Harlan, Iowa	January, 2020
Leona Konz, Secretary/Treasurer	Shelby, Iowa	January, 2022
Tom Cannon	Elk Horn, Iowa	January, 2022
Kelli Klaassen	Harlan, Iowa	January, 2022
Rick Rasmussen	Defiance, Iowa	January, 2020
Jim Zimmerman	Harlan, Iowa	January, 2022
<u>Chief Executive Officer:</u>		
Barry Jacobsen	Portsmouth, Iowa	
<u>Chief Financial Officer:</u>		
Kristy Hansen	Harlan, Iowa	
<u>Chief Nursing Executive:</u>		
Karen Buman	Harlan, Iowa	

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INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees
Myrtue Medical Center
Harlan, Iowa

Report on the Financial Statements

We have audited the accompanying financial statements of Myrtue Medical Center which comprise the statements of net position as of June 30, 2020 and 2019, and the related statements of revenues, expenses and changes in net position, and cash flows for the years then ended, and the related notes to financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America. This includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Medical Center's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Medical Center's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

To the Board of Trustees
Myrtue Medical Center

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Basis for Qualified Opinion

The financial statements do not include financial data for the Medical Center's legally separate component unit, Shelby County Medical Corporation. Accounting principles generally accepted in the United States of America require the financial data for the component unit to be reported with the financial data of the Medical Center unless the Medical Center also issues financial statements for the financial reporting entity that include the financial data for its component unit. The Medical Center has not issued such reporting entity financial statements (Note A).

Qualified Opinion

In our opinion, except for the effect of omitting the blended component unit, as discussed in the previous section, the financial statements referred to above present fairly, in all material respects, the financial position of Myrtue Medical Center as of June 30, 2020 and 2019 and the changes in its financial position, and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of a Matter

As discussed in Note N, the Medical Center may be adversely affected by the global Novel Coronavirus (COVID-19) pandemic. The Medical Center cannot at this time reasonably estimate the length or severity of this pandemic, or the extent to which the disruptions may impact the Medical Center's financial position, results of operations, or cash flows in 2021 and after. Our conclusion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require Management's Discussion and Analysis, the Budgetary Comparison Schedule, the Schedule of the Medical Center's Proportionate Share of the Net Pension Liability and the Schedule of Medical Center's Contributions on pages 3 through 3f and on pages 29 through 32 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements that collectively comprise Myrtue Medical Center's basic financial statements. We previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the three years ended June 30, 2018 (which are not presented herein) and expressed qualified opinions on those financial statements. The supplementary information on pages 1 and 33 through 39 is presented for purposes of additional analysis and is not a required part of the basic financial statements.

To the Board of Trustees
Myrtue Medical Center

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated January 21, 2021 on our consideration of Myrtue Medical Center's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the effectiveness of Myrtue Medical Center's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Myrtue Medical Center's internal control over financial reporting and compliance.

Burnell, Dean, Lyman & Co. P.C.

Atlantic, Iowa
January 21, 2021



MYRTUE MEDICAL CENTER Management's Discussion and Analysis

Management of Myrtue Medical Center (Medical Center) provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal years ended June 30, 2020, 2019, and 2018. We encourage readers to consider this information in conjunction with the Hospital's financial statements, which follow.

FINANCIAL HIGHLIGHTS

The 2020 fiscal year was the fourteenth full year of Critical Access and hospital-based Rural Health Clinic designation for Myrtue Medical Center.

In FY 2020 the Medical Center reported a decrease in operating income of \$2,028,084 when compared to the previous year. Net patient service revenue increased by \$31,441, or .1% from fiscal year 2019 to fiscal year 2020. Operating expenses increased by \$1,893,369, or 4.5% from fiscal year 2019 to fiscal year 2020.

In FY 2019 the Medical Center reported an increase in operating income of \$134,615 when compared to the previous year. Net patient service revenue increased by \$1,246,847, or 3.1% from fiscal year 2018 to fiscal year 2019. Operating expenses increased by \$1,273,267, or 3.1% from fiscal year 2018 to fiscal year 2019.

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the Medical Center's financial activities.

The basic financial statements consist of a Statement of Net Position, a Statement of Revenues, Expenses and Changes in Net Position and a Statement of Cash Flows. These statements provide information about the activities of the Medical Center on a comparative basis, including resources held by the Medical Center but restricted for specific purposes by creditors, contributors, grantors or enabling legislation.

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KIMBALLS
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BEHAVIORAL
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MYRTUE MEDICAL CENTER
Management's Discussion and Analysis - Continued

Notes to Financial Statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the Medical Center's budget for the year, the Medical Center's proportionate share of the net pension liability and related contributions.

Supplementary Information provides detailed information about the operations of the Medical Center.

REPORTING THE HOSPITAL'S FINANCIAL ACTIVITIES

The Statement of Net Position and Statement of Revenues, Expenses, and Changes in Net Position

One of the most important questions asked about the Medical Center's finances is, "Is the Medical Center as a whole better or worse off as a result of the year's activities?" The Statement of Net Position and the Statement of Revenues, Expenses, and Changes in Net Position report information about the Medical Center's resources and its activities in a way which helps answer this question. These statements include all restricted and unrestricted assets, deferred outflows of resources, liabilities and deferred inflows of resources using the accrual basis of accounting which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the Medical Center's net position, which is the difference between assets and deferred outflows of resources less liabilities and deferred inflows of resources as one way to measure the Medical Center's financial health or financial position. Over time, increases or decreases in the Medical Center's net position are one indicator of whether its financial position is improving or deteriorating. Additional factors, such as changes in the Medical Center's patient base, changes in legislation and regulations, measures of the quantity and quality of services it provided to the community, as well as local economic factors to assess the overall health of the Medical Center.

THE STATEMENT OF CASH FLOWS

The Statement of Cash Flows reports cash receipts, cash payments and net changes in cash resulting from operations, investing, non-capital financing and capital financing activities. It provides answers to such questions as "Where did cash come from?" "What was cash used for?" and "What was the change in cash balance during the reporting period?"

MYRTUE MEDICAL CENTER
Management's Discussion and Analysis - Continued

FINANCIAL ANALYSIS OF THE MEDICAL CENTER

The Medical Center's net position is the difference between its assets and deferred outflows of resources and combined liabilities and deferred inflows of resources reported in the Statement of Net Position on page 4.

Table 1: Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Assets:			
Current assets	\$ 28,084,903	\$ 21,047,738	\$ 19,551,744
Capital assets, net	31,964,889	33,067,891	34,470,764
Other noncurrent assets	5,405,675	4,578,344	3,569,926
Deferred Outflows of Resources	<u>3,139,670</u>	<u>3,674,479</u>	<u>4,230,550</u>
Total assets and deferred outflows of resources	<u>\$ 68,595,137</u>	<u>\$ 62,368,452</u>	<u>\$ 61,822,984</u>
Liabilities:			
Long-term debt outstanding	\$ 6,868,655	\$ 4,324,816	\$ 5,106,891
Other current and noncurrent liabilities	15,995,280	18,039,867	18,637,606
Deferred Inflows of Resources	<u>6,564,766</u>	<u>2,123,107</u>	<u>1,677,041</u>
Total liabilities and deferred inflows of resources	29,428,701	24,487,790	25,421,538
Net Position	<u>39,166,436</u>	<u>37,880,662</u>	<u>36,401,446</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 68,595,137</u>	<u>\$ 62,368,452</u>	<u>\$ 61,822,984</u>

Current assets increased by \$7,037,165 from the previous year. Operating cash and certificates of deposit increased by \$5,474,495 from the previous year. Net accounts receivable decreased by approximately \$667,724 from the previous year as well. The increase in operating cash is a reflection of PPP loan proceeds, COVID-19 funding received and the accounts receivable balance.

Capital assets, net have decreased by \$1,103,002 in the past year due to depreciation expense exceeding capital additions.

Other noncurrent assets have increased by \$827,331 due to unused COVID-19 funding received and a decrease in employee health insurance reserves.

Long term debt has increased by \$2,543,839 due to \$3,476,634 PPP loan proceeds net of \$932,795 payment of loan principal.

MYRTUE MEDICAL CENTER
Management's Discussion and Analysis - Continued

OPERATING RESULTS AND CHANGES IN THE MEDICAL CENTER'S NET POSITION

In 2020, the Medical Center's net position increased by approximately \$1,286,000 or 3.4 percent, as shown in Table 2. Net position increased by approximately \$1,479,000 or 4.1 percent in 2019.

Table 2: Operating Results and Changes in Net Position

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Operating Revenues:			
Net patient service revenue	\$ 41,939,594	\$ 41,908,153	\$ 40,661,306
Other operating revenues	<u>670,095</u>	<u>836,251</u>	<u>675,216</u>
Total operating revenues	42,609,689	42,744,404	41,336,522
Operating Expenses:			
Salaries and benefits	22,451,915	21,849,867	20,850,000
Professional fees	7,609,866	7,678,321	7,392,993
Other operating expenses	10,569,757	9,717,609	9,817,321
Depreciation	<u>3,004,305</u>	<u>2,979,456</u>	<u>2,621,703</u>
Total operating expenses, before IPERS adjustment	<u>43,635,843</u>	<u>42,225,253</u>	<u>40,682,017</u>
Operating income (loss), before IPERS adjustment	(1,026,154)	519,151	654,505
IPERS adjustment	<u>(803,160)</u>	<u>(320,381)</u>	<u>(590,350)</u>
Operating income (loss)	(1,829,314)	198,770	64,155
Nonoperating Revenues (Expenses):			
COVID-19 funding	2,179,354	--	--
County taxes	1,018,536	1,029,406	1,029,619
Investment income	83,971	220,862	121,863
Noncapital contributions	19,672	23,098	19,487
Other nonoperating revenues and expenses, net	<u>(278,667)</u>	<u>(297,382)</u>	<u>(314,931)</u>
Nonoperating revenues, net	<u>3,022,866</u>	<u>975,984</u>	<u>856,038</u>
Excess of Revenues over Expenses Before Capital Grants and Contributions	1,193,552	1,174,754	920,193
Grants, Contributions, and Endowments:			
Capital grants and contributions	<u>92,222</u>	<u>304,462</u>	<u>67,018</u>
Increase in Net Position	1,285,774	1,479,216	987,211
Net Position Beginning of Year	<u>37,880,662</u>	<u>36,401,446</u>	<u>35,414,235</u>
Net Position End of Year	<u>\$ 39,166,436</u>	<u>\$ 37,880,662</u>	<u>\$ 36,401,446</u>

MYRTUE MEDICAL CENTER
Management's Discussion and Analysis - Continued

OPERATING INCOME

The first component of the overall change in the Medical Center's net position is its operating income (loss), generally the difference between net patient service revenues and the expenses incurred to perform those services. In 2020 the Medical Center had a loss from operations of \$1,829,314, compared to income of \$198,770 in 2019, due to the COVID-19 pandemic.

The approximate primary components of the operating income (loss) are:

An increase in net patient service revenue of \$31,441, a .1 percent increase in 2020 compared to an increase of \$1,247,000 or 3.1 percent in net revenue in 2019.

The increase in salary and benefit costs for the Medical Center's employees was \$1,084,800, a 4.9 percent increase, in 2020 compared to an increase of \$730,000 or 3.4 percent in 2019.

A decrease in professional fee costs of \$68,000, a .9 percent decrease, in 2020 compared to an increase of \$285,000 or 3.9 percent in 2019.

Other operating costs increased by \$852,000, an 8.8 percent increase, in 2020 compared to a decrease of \$100,000 or 1.0 percent in 2019.

An increase in provision for depreciation of \$25,000, a .8 percent increase, in 2020 compared to a decrease of \$358,000 or 13.6 percent in 2019.

Overall expenses increased 4.5 percent or \$1,893,000 in 2020 compared to an increase of 3.1 percent or \$1,273,000 in 2019.

In March 2020, the World Health Organization declared the Novel Coronavirus (COVID-19) a global pandemic and recommended containment and mitigation measures worldwide. Beginning in mid-March through May, 2020, the Medical Center had limited operations per recommendations of the Governor and Department of Public Health. Beginning June 1, 2020, the Medical Center reopened with modifications to its operations. The effect of the pandemic has caused the Medical Center to report a loss from operations. The Medical Center received approximately \$9.1 million of COVID-19 funding from various sources, of which approximately \$2.2 million has been recognized during fiscal year 2020.

Also, the current shortage of professional caregivers and technologists continues to drive up some salary costs. The Medical Center must keep pace with the industry to compete for the highly sought after professionals. The advent of new technology and medicines requires additional capital and operating expense to provide current standard of care for our patients. The Medical Center works closely with its purchasing partner Vizient to purchase medicines and supplies at the most economical rate possible for an organization of our size. The Medical Center provides health insurance to their employees through a self-funded plan. In 2020, claim experience increased from 2019 resulting in an approximate \$535,000, or 24.2% increase in health insurance costs to the Medical Center.

The Medical Center routinely provides care for patients who have little or no health insurance or other means of repayment. This service to the community is consistent with the goals established for the Medical Center when it was established in 1954. The level of services provided to these patients decreased from \$145,424 in 2020 to \$176,557 in 2019. The Medical Center saw bad debt expense increase with \$1,003,000 in 2020 and \$836,000 in 2019.

MYRTUE MEDICAL CENTER
Management's Discussion and Analysis - Continued

NONOPERATING REVENUES AND EXPENSES

Nonoperating revenues consist primarily of property taxes levied by the Medical Center, COVID-19 funding, and investment earnings. The property valuation is calculated as of July 1 each year and used as the basis for tax levies on January 1. Variation in the revenue is a result of changing valuations and actual tax collection for the year. The Medical Center's investment income has increased due to an increase in the market value of stocks.

THE MEDICAL CENTER'S CASH FLOWS

The purpose of the statement of cash flows is to show the readers where cash was generated and how it was spent on a cash basis. The 2020 approximate net cash provided by operating activities was \$990,000. In 2019, approximate net cash provided by operating activities was \$4,002,000.

Net cash provided by non-capital financing activities was approximately \$970,000 in 2019. In 2020, the approximate cash provided from this source was \$6,531,000. The increase of this cash flow comes from COVID-19 funding received.

Net cash used in capital and related financing activities in 2019 was approximately \$2,250,000, due to the Medical Center's equipment additions and payments on long-term debt. In 2020, approximate net cash provided by capital and related financing activities was \$782,000.

Cash flow used in investing activities was approximately \$7,214,000 in 2019. In 2020, approximate net cash used in investing activities was \$2,827,000.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets:

At the end of 2020, the Medical Center had \$31.9 million invested in capital assets, net of accumulated depreciation, as detailed in Note G to the financial statements. During 2020, the Medical Center spent \$1,714,000 on land, equipment and buildings. In 2019, \$1,614,000 was spent on land, equipment, and building improvements.

Debt:

In 2011, the Medical Center issued \$10,000,000 Capital Revenue Notes to fund Medical Center expansion and renovation project. As of June 30, 2020, \$3,392,021 is outstanding on that note.

The 2011 \$10,000,000 Capital Revenue Notes terms were amended in August, 2013 to take advantage of a lower interest rate.

During 2020, the Medical Center obtained a Payroll Protection Program loan (PPP loan) in the amount of \$3,476,634 to cover the cost of payroll during the COVID-19 pandemic. The Medical Center expects this loan to be forgiven during FY 2021.

MYRTUE MEDICAL CENTER
Management's Discussion and Analysis - Continued

BUDGETARY HIGHLIGHTS

The official county budget of the Medical Center for the year ended June 30, 2020 was prepared on a modified accrual basis. As indicated on page 29, actual expenditures were 5% lower than budgeted.

OTHER ECONOMIC FACTORS

The Medical Center will continue to be impacted by the COVID-19 pandemic through FY 2021 and after. The Medical Center cannot reasonably estimate the length or severity of this pandemic, or the extent to which this disruption may materially impact the Medical Center's financial position, its changes in net position or cash flows.

The Medical Center is a rural hospital in west central Iowa. The Medicare program represents about 55% of the revenues the Medical Center receives, and represents the greatest risk to our revenues. Payment changes and revamping of the Program by Congress can have a much larger effect on the Medical Center due to its high percentage of Medicare patients.

The Medical Center has been designated as a Critical Access Hospital (CAH). This designation has resulted in Medicare paying 101% of defined costs for services provided to eligible patients, thereby increasing reimbursement. Effective April 1, 2013 Medicare reimbursement was reduced by 2% under the federal sequestration process.

Effective April 1, 2016, the Iowa Department of Human Services revised its method of paying for services provided to Medicaid patients. This brought an end to Medicaid cost based reimbursement. The effect of this change on the Medical Center cannot currently be determined.

The Medical Center's federally qualified rural health clinics in Harlan, Avoca, Shelby, Elk Horn, and Earling, Iowa also receive cost-based reimbursement from Medicare and Medicaid, which has substantially increased reimbursement to the clinics.

CONTACTING THE MEDICAL CENTER'S FINANCIAL MANAGEMENT

This financial report is designed to provide our patients, suppliers, taxpayers, and creditors with a general overview of the Medical Center's finances and to show the Medical Center's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Chief Financial Officer, Myrtue Medical Center, 1213 Garfield Avenue, Harlan, Iowa 51537.

* * *

MYRTUE MEDICAL CENTER
Statements of Net Position
June 30,

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES

	<u>2020</u>	<u>2019</u>
Current Assets:		
Cash	\$ 4,215,366	\$ 1,226,695
Certificates of deposit	10,447,779	7,961,955
Patient receivables, less allowances for doubtful accounts and for contractual adjustments (\$3,086,000 in 2020, \$3,062,000 in 2019)	7,075,392	7,743,116
Other receivables	426,265	871,081
Related organization receivable, net	15,529	--
Inventory	940,543	797,603
Prepaid expense	914,118	657,982
Estimated third-party payor settlements	145,000	--
Succeeding year property tax receivable	1,047,000	1,002,000
Internally designated assets	<u>2,857,911</u>	<u>787,306</u>
Total current assets	28,084,903	21,047,738
Designated and Restricted Assets:		
Internally designated assets	3,552,331	4,184,323
Restricted assets	<u>4,099,729</u>	<u>628,118</u>
	7,652,060	4,812,441
Less amounts required to meet current liabilities	<u>2,857,911</u>	<u>787,306</u>
	4,794,149	4,025,135
Capital Assets:		
Depreciable capital assets, net	29,271,170	30,353,353
Non-depreciable capital assets	<u>2,693,719</u>	<u>2,714,538</u>
	31,964,889	33,067,891
Other Assets:		
Notes receivable	6,088	14,088
Other	<u>605,438</u>	<u>539,121</u>
	611,526	553,209
Total assets	<u>65,455,467</u>	<u>58,693,973</u>
Deferred Outflows of Resources - Pension	<u>3,139,670</u>	<u>3,674,479</u>
Total assets and deferred outflow of resources	<u>\$ 68,595,137</u>	<u>\$ 62,368,452</u>

The accompanying notes are an integral part of these statements.

LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION

	<u>2020</u>	<u>2019</u>
Current Liabilities:		
Current maturities of long-term debt	\$ 2,425,627	\$ 663,062
Accounts payable	1,547,073	1,455,220
Accrued employee compensation	1,660,394	1,498,411
Payroll taxes withheld and accrued	461,226	364,801
Estimated third-party payor settlements	--	1,470,000
Related organization payable, net	--	159,959
Other current liabilities	<u>217,087</u>	<u>139,481</u>
Total current liabilities	6,311,407	5,750,934
Long-Term Liabilities:		
Long-term debt, less current maturities	4,443,028	3,661,754
Net pension liability	<u>12,109,500</u>	<u>12,951,995</u>
Total long-term liabilities	<u>16,552,528</u>	<u>16,613,749</u>
Total liabilities	22,863,935	22,364,683
Deferred Inflows of Resources	6,564,766	2,123,107
Net Position:		
Invested in capital assets, net of related debt	31,245,506	28,743,075
Restricted expendable	4,099,729	628,118
Unrestricted	<u>3,821,201</u>	<u>8,509,469</u>
Total net position	<u>39,166,436</u>	<u>37,880,662</u>
 Total liabilities, deferred inflows of resources, and net position	 <u>\$ 68,595,137</u>	 <u>\$ 62,368,452</u>

MYRTUE MEDICAL CENTER
Statements of Revenues, Expenses and Changes in Net Position
Year ended June 30,

	<u>2020</u>	<u>2019</u>
Revenue:		
Net patient service revenue	\$ 41,939,594	\$ 41,908,153
Other revenue	<u>670,095</u>	<u>836,251</u>
Total revenue	42,609,689	42,744,404
Expenses:		
Salaries and wages	16,717,908	16,662,880
Employee benefits	5,734,007	5,186,987
Professional fees	7,609,866	7,678,321
Supplies and other expenses	10,569,757	9,717,609
Provision for depreciation	<u>3,004,305</u>	<u>2,979,456</u>
Total expenses	<u>43,635,843</u>	<u>42,225,253</u>
Operating Income (Loss) Before IPERS Pension Accounting Adjustment	(1,026,154)	519,151
IPERS Pension Accounting Adjustment	<u>(803,160)</u>	<u>(320,381)</u>
Operating Income (Loss)	(1,829,314)	198,770
Non-Operating Revenues (Expenses):		
Investment income	83,971	220,862
COVID-19 funding	2,179,354	--
Noncapital contributions	19,672	23,098
County taxes	1,018,536	1,029,406
Other restricted donations, net	1,900	10,338
Interest expense	(159,736)	(160,242)
Contracted ambulance service	(112,200)	(112,200)
Loss on disposal of assets	<u>(8,631)</u>	<u>(35,278)</u>
Non-operating revenues, net	<u>3,022,866</u>	<u>975,984</u>
Excess of Revenues Over Expenses Before Capital Grants and Contributions	1,193,552	1,174,754
Capital Grants and Contributions:		
COVID-19	32,500	--
Other	<u>59,722</u>	<u>304,462</u>
	<u>92,222</u>	<u>304,462</u>
Increase in Net Position	1,285,774	1,479,216
Net Position Beginning of Year	<u>37,880,662</u>	<u>36,401,446</u>
Net Position End of Year	<u>\$ 39,166,436</u>	<u>\$ 37,880,662</u>

The accompanying notes are an integral part of these statements.

MYRTUE MEDICAL CENTER
Statements of Cash Flows
Year ended June 30,

	<u>2020</u>	<u>2019</u>
Cash flows from operating activities:		
Cash received from patients and third-party payors	\$ 41,305,034	\$ 42,428,510
Cash paid to suppliers	(24,429,507)	(22,647,882)
Cash paid to employees	(16,555,925)	(16,614,538)
Other revenue	<u>670,095</u>	<u>836,251</u>
Net cash provided by operating activities	989,697	4,002,341
Cash flows from non-capital financing activities:		
County tax revenue	1,018,536	1,029,406
Contracted ambulance service	(112,200)	(112,200)
Noncapital contributions - COVID-19	5,597,267	--
Noncapital contributions - other	<u>27,672</u>	<u>52,936</u>
Net cash provided by non-capital financing activities	6,531,275	970,142
Cash flows from capital and related financing activities:		
Capital expenditures	(1,714,437)	(1,613,878)
Proceeds from disposal of assets	19,700	2,017
Proceeds from PPP loan	3,476,634	--
Payments on long-term debt	(932,795)	(782,075)
Capital grants and contributions	92,222	304,462
Interest paid	<u>(159,736)</u>	<u>(160,242)</u>
Net cash provided by (used in) capital and related financing activities	781,588	(2,249,716)
Cash flows from investing activities:		
Change in investments	(2,485,824)	(6,758,969)
Investment income	238,667	132,764
Change in designated and restricted assets	(513,334)	(517,248)
Change in notes receivable	--	(3,403)
Change in other assets	<u>(66,317)</u>	<u>(67,614)</u>
Net cash used in investing activities	<u>(2,826,808)</u>	<u>(7,214,470)</u>
Net increase (decrease) in cash and cash equivalents	5,475,752	(4,491,703)
Cash and cash equivalents, beginning of year	<u>3,710,861</u>	<u>8,202,564</u>
Cash and cash equivalents, end of year	<u>\$ 9,186,613</u>	<u>\$ 3,710,861</u>

(continued next page)

MYRTUE MEDICAL CENTER
Statements of Cash Flows - Continued
Year ended June 30,

	<u>2020</u>	<u>2019</u>
Reconciliation of cash and cash equivalents to the statements of net position:		
Cash in current assets	\$ 4,215,366	\$ 1,226,695
Cash in designated and restricted assets	<u>4,971,247</u>	<u>2,484,166</u>
Total cash and cash equivalents	<u>\$ 9,186,613</u>	<u>\$ 3,710,861</u>
Reconciliation of operating income (loss) to net cash provided by operating activities:		
Operating income (loss)	\$(1,829,314)	\$ 198,770
Adjustments to reconcile operating income (loss) to net cash provided by operating activities		
Provision for depreciation	3,004,305	2,979,456
Amortization	8,000	8,000
Change in assets and liabilities		
Accounts receivable	1,154,372	539,624
Inventory	(142,940)	(226,371)
Prepaid expense	(256,136)	92,688
Deferred outflows of resources	534,809	556,071
Accounts payable, trade	(123,344)	(1,835)
Related organization receivable	(15,529)	5,776
Accrued employee compensation	161,983	48,342
Estimated third-party payor settlements	(1,615,000)	(12,000)
Payroll taxes withheld and accrued	96,425	(74,561)
Related organization payable	(159,959)	159,959
Other current liabilities	77,606	(28,621)
Deferred inflows - other	(173,932)	(7,267)
Net pension liability	(842,495)	(689,023)
Deferred inflows of resources - pension	1,110,846	453,333
Total adjustments	<u>2,819,011</u>	<u>3,803,571</u>
Net cash provided by operating activities	<u>\$ 989,697</u>	<u>\$ 4,002,341</u>

The accompanying notes are an integral part of these statements.

MYRTUE MEDICAL CENTER
Notes to Financial Statements
June 30, 2020 and 2019

NOTE A - REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING
POLICIES

1. Reporting Entity

Myrtue Medical Center (the Medical Center) is a critical access county hospital with related healthcare ancillary, outpatient and physician clinic services. The Medical Center is organized under Chapter 347 of the Code of Iowa, accordingly is a political subdivision of the State of Iowa, and is therefore exempt from federal and state income taxes. It is governed by a seven member board of trustees elected for six year terms. The Medical Center has considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the Medical Center are such that exclusion would cause the Medical Center's financial statements to be misleading or incomplete. The criteria for determining financial accountability include: appointing a majority of an organization's governing body, and (a) the Medical Center's ability to impose its will on that organization, or (b) the potential for the organization to provide benefits to or impose financial burdens on the Medical Center.

The Medical Center has one component unit, Shelby County Medical Corporation (SCMC). SCMC contracts physician services to the Medical Center's physician clinics, and virtually all of its transactions are with the Medical Center. It has limited net position and activity other than between SCMC and the Medical Center. Therefore, combining the component unit would not have a material effect on these financial statements (See Note K).

The following summary shows the net increase or (decrease) blending the component would have on the assets, liabilities, net position, revenues and expenses of Myrtue Medical Center as of and for the year ended June 30:

	<u>2020</u>	<u>2019</u>
Assets would increase (decrease) by	\$(<u>69,961</u>)	\$ <u>124,771</u>
Liabilities would increase by	\$ <u>393,432</u>	\$ <u>294,748</u>
Net Position would increase (decrease) by	\$(<u>463,393</u>)	\$(<u>169,977</u>)
Revenues would increase by	\$ <u>1,798</u>	\$ <u>179,242</u>
Expenses would increase by	\$ <u>295,214</u>	\$ <u>222,531</u>

MYRTUE MEDICAL CENTER
Notes to Financial Statements
June 30, 2020 and 2019

NOTE A - REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING
POLICIES - Continued

2. Basis of Presentation

The Statement of Net Position displays the Medical Center's assets, deferred outflows of resources, liabilities and deferred inflows of resources, with the difference reported as net position. Net position is reported in the following categories:

Net investment in capital assets consists of capital assets, net of accumulated depreciation/amortization and reduced by outstanding balances for bonds, notes and other debt attributable to the acquisition, construction or improvement of those assets.

Restricted net position:

- a. *Nonexpendable* - Nonexpendable net position is subject to externally imposed stipulations which require them to be maintained permanently by the Medical Center.
- b. *Expendable* - Expendable net position results when constraints placed on net position use are either externally imposed or are imposed by law through constitutional provisions or enabling legislation.

Unrestricted net position consists of net position not meeting the definition of the preceding categories. Unrestricted net position is often subject to constraints imposed by management which can be removed or modified.

When both restricted and unrestricted net position is available for use, generally it is the Medical Center's policy to use restricted net position first.

3. Measurement Focus and Basis of Accounting

Measurement focus refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

The accompanying basic financial statements have been prepared on the accrual basis of accounting in conformity with U.S. generally accepted accounting principles. Revenues are recognized when earned and expenses are recorded when the liability is incurred.

4. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, deferred outflows of resources, liabilities and deferred inflows of resources and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

MYRTUE MEDICAL CENTER
Notes to Financial Statements
June 30, 2020 and 2019

NOTE A - REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING
POLICIES - Continued

5. Cash and Cash Equivalents

Cash and cash equivalents include investments in highly liquid debt instruments with an original maturity of three months or less, including designated and restricted assets.

6. Accounts Receivable

Accounts receivable are shown at the amount expected to be collected after determining the allowance for doubtful accounts and for contractual adjustments.

7. Inventory Valuation

Inventory is valued at the lower of cost (first-in, first-out method) or market.

8. Investments

Investments are reported at fair value except for short-term highly liquid investments that have a remaining maturity at the time they are purchased of one year or less. These investments are carried at amortized cost. Interest, dividends, and gains and losses, both realized and unrealized, on investments are included in non-operating revenue when earned, unless restricted by donor or law.

9. Designated and Restricted Assets

Internally designated assets consist primarily of funds designated by the Board of Trustees for employee health insurance, capital acquisitions and related debt payments. The Board retains control over these funds, and may, at its discretion, subsequently use them for other purposes. Restricted assets include donor restricted gifts, and funds whose use is limited by law or contractual agreements.

10. Capital Assets

The Medical Center's capital assets are reported at historical cost. Contributed capital assets are reported at their estimated fair value at the time of their donation. Capital assets with lives in excess of four years and cost in excess of \$5,000 are capitalized. These capital assets, other than land, are depreciated or amortized (in the case of capital leases) using the straight-line method of depreciation using their estimated useful lives (fifteen to fifty years for buildings and land improvements and five to twenty years for equipment).

11. Costs of Borrowing

Except for capital assets acquired through gifts, contributions, or capital grants, interest cost on borrowed funds during the period of construction of capital assets is capitalized as a component of the cost of acquiring those assets. The Medical Center did not capitalize any interest cost in 2020 or 2019.

MYRTUE MEDICAL CENTER
Notes to Financial Statements
June 30, 2020 and 2019

NOTE A - REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING
POLICIES - Continued

12. Deferred Outflows of Resources

Deferred outflows of resources represent a consumption of net position that applies to a future period(s) and will not be recognized as an outflow of resources (expense) until then. Deferred outflows of resources consist of unrecognized items not yet charged to pension expense and contributions from the Medical Center after the measurement date but before the end of the Medical Center's reporting period.

13. Compensated Absences

Medical Center employees earn paid time off (PTO) hours at varying rates depending on years of service. Compensated absence liabilities are computed using the regular pay rates in effect at the balance sheet date. The computed amount of PTO benefits earned by year end is recorded as part of accrued employee compensation.

14. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions and pension expense, information about the fiduciary net position of the Iowa Public Employees' Retirement System (IPERS) and additions to/deductions from IPERS' fiduciary net position have been determined on the same basis as they are reported by IPERS. For this purpose, benefit payments, including refunds of employee contributions, are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

15. Deferred Inflows of Resources

Deferred inflows of resources represent an acquisition of net position applicable to a future period(s) which will not be recognized as an inflow of resources (revenue) until that time. Deferred inflows of resources in the Statement of Net Position consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied; the unrecognized items not yet charged to pension expense; the unamortized portion of the net difference between projected and actual earnings on pension plan investments; deferred insurance proceeds; and CARES Act provider relief funds.

16. Statement of Revenues, Expenses and Changes in Net Position

For purposes of display, transactions deemed by management to be ongoing, major or central to the provision of health care services are reported as operating revenues and expenses. Peripheral or incidental transactions are reported as non-operating revenues and expenses.

MYRTUE MEDICAL CENTER
Notes to Financial Statements
June 30, 2020 and 2019

NOTE A - REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING
POLICIES - Continued

17. Net Patient Service Revenue

The Medical Center has agreements with third-party payors that provide for payments to the Medical Center at amounts different from its established rates. Payment arrangements include prospectively determined rates, reimbursed costs, discounted charges, and per diem payments. Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payors, and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payors. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined.

18. Property Tax Levy

Property tax receivable is recognized on the levy or lien date, which is the date the tax asking is certified by the County Board of Supervisors. The succeeding year property tax receivable represents taxes certified by the Board of Supervisors to be collected in the next fiscal year for the purposes set out in the budget for that year. The succeeding year property tax receivable has been recorded as a current asset and the related property tax revenue has been recorded as a deferred inflow of resources. Property tax revenue is reported as non-operating revenue when collected by the County Treasurer.

19. Grants and Contributions

Revenues from grants and contributions (including contributions of capital assets) are recognized when all eligibility requirements, including time requirements are met. Grants and contributions may be restricted for either specific operating purposes or for capital purposes. Amounts that are unrestricted or that are restricted to a specific operating purpose are reported as non-operating revenues. Amounts restricted to capital acquisitions are reported after non-operating revenues and expenses.

20. Endowments

Endowments are provided to the Medical Center on a voluntary basis by individuals and private organizations. *Permanent* endowments require that the principal or corpus of the endowment be retained in perpetuity. If a donor has not provided specific instructions, law permits the Board of Trustees to authorize for expenditure the net appreciation of the investments of endowment funds. Currently, the Medical Center has no endowment funds.

21. Charity Care

The Medical Center provides care to patients who meet certain criteria under its charity care policy without charge or at amounts less than its established rates. Revenue from services to these patients is automatically recorded in the accounting system at the established rates, but the Medical Center does not pursue collection of the amounts. The resulting adjustments are recorded as bad debts or charity service, depending on the timing of the charity determination.

MYRTUE MEDICAL CENTER
Notes to Financial Statements
June 30, 2020 and 2019

NOTE B - THIRD-PARTY PAYOR ARRANGEMENTS

A summary of the payment arrangements with major third-party payors follows:

Medicare - Inpatient acute services, inpatient nonacute services and most outpatient services related to program beneficiaries are paid based on a cost reimbursement methodology. The Medical Center is reimbursed for the cost of services at a tentative rate with final settlement determined after submission of annual cost reports by the Medical Center and audits thereof by the fiscal intermediaries.

Medicaid - Through March of 2016 the Medicaid payment system was similar to Medicare. In April, 2016 the State of Iowa Medicaid program switched to a managed care payment system, with payment rates based on previous year cost reports. The Medical Center will continue to file cost reports to determine payment rates for future years.

The Medical Center's Medicare cost reports have been audited and finalized by the fiscal intermediaries through June 30, 2018. The Medicaid cost reports have been finalized through June 30, 2018. However, finalized cost reports are subject to re-opening by the intermediaries within three years after the date of finalization. Outpatient services not paid based on a cost reimbursement methodology are paid based on a prospectively determined fee schedule.

The Medical Center also has entered into payment agreements with certain commercial insurance carriers, health maintenance organizations, and preferred provider organizations. The basis for payment to the Medical Center under these agreements includes prospectively determined rates per discharge, discounts from established charges, and prospectively determined daily rates.

A schedule of patient service revenue and related adjustments for the years ended June 30, 2020 and 2019 follows:

	<u>2020</u>	<u>2019</u>
Gross patient service revenue:		
Inpatient and swing bed services	\$ 8,803,664	\$ 9,830,689
Outpatient	53,625,954	54,276,575
Physician clinic related charges	<u>10,654,279</u>	<u>10,509,860</u>
Total gross patient service revenue	73,083,897	74,617,124
Deductions from gross patient service revenue:		
Medicare	13,788,360	15,601,194
Medicaid	5,569,347	5,976,798
Provision for bad debts	1,003,126	836,147
Charity care	145,424	176,557
Other deductions	<u>10,638,046</u>	<u>10,118,275</u>
Total deductions from gross patient service revenue	<u>31,144,303</u>	<u>32,708,971</u>
Net patient service revenue	<u>\$ 41,939,594</u>	<u>\$ 41,908,153</u>

MYRTUE MEDICAL CENTER
Notes to Financial Statements
June 30, 2020 and 2019

NOTE C - ENDOWMENTS AND RESTRICTED NET POSITION

Expendable restricted assets are available for the following purposes:

	<u>2020</u>	<u>2019</u>
COVID-19 funding	\$ 3,459,745	\$ --
Healthcare education loans	112,558	110,658
Debt service	<u>527,426</u>	<u>517,460</u>
	<u>\$ 4,099,729</u>	<u>\$ 628,118</u>

The Medical Center has no nonexpendable restricted assets or endowments at June 30, 2020 or 2019.

Following is a summary of the use of temporarily restricted assets during the year ended June 30:

	<u>2020</u>	<u>2019</u>
Purchase of property and equipment	\$ 142,793	\$ 255,009
Education loans forgiven/written off	6,100	19,500
Wellness center scholarships granted	<u>--</u>	<u>162</u>
	<u>\$ 148,893</u>	<u>\$ 274,671</u>

NOTE D - DEPOSITS AND INVESTMENTS

The Medical Center's deposits in banks at June 30, 2020 and 2019 were entirely covered by federal depository insurance or the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to ensure there will be no loss of public funds.

The Medical Center is authorized by statute to invest public funds in obligations of the United States Government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Trustees; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; common stocks; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The Medical Center maintains a pool of donated equity securities as a part of their invested funds. At June 30, 2020 the Medical Center held \$530,682 (\$685,378 in 2019) of capital stock, none of which is covered by any form of insurance against loss.

MYRTUE MEDICAL CENTER
Notes to Financial Statements
June 30, 2020 and 2019

NOTE D - DEPOSITS AND INVESTMENTS - Continued

Designated assets remain under the control of the Board of Trustees, which may, at its discretion, later use the funds for other purposes. Below is a list of the designated assets and their prescribed purpose:

	<u>2020</u>	<u>2019</u>
Capital acquisitions and related debt	\$ 1,832,711	\$ 1,486,203
Employee health insurance	<u>1,719,620</u>	<u>2,698,120</u>
	<u>\$ 3,552,331</u>	<u>\$ 4,184,323</u>

The composition of designated and restricted assets is as follows:

	<u>2020</u>	<u>2019</u>
Internally Designated Assets:		
Cash and cash equivalents	\$ 968,721	\$ 1,946,605
Certificates of deposit	2,049,554	1,550,771
Equity securities	530,682	685,378
Interest receivable	<u>3,374</u>	<u>1,569</u>
	<u>\$ 3,552,331</u>	<u>\$ 4,184,323</u>
Restricted Assets:		
Cash and cash equivalents	\$ 4,002,526	\$ 537,561
Education loans	<u>97,203</u>	<u>90,557</u>
	<u>\$ 4,099,729</u>	<u>\$ 628,118</u>

Interest Rate Risk - The Medical Center's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) to instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days, but the maturities shall be consistent with the needs and use of the Medical Center.

MYRTUE MEDICAL CENTER
Notes to Financial Statements
June 30, 2020 and 2019

NOTE E - FAIR VALUE MEASUREMENTS

The Medical Center's investments are reported at fair value in the accompanying statements of net position. The methods used to measure fair value may produce an amount that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although management believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The fair value measurement accounting literature establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. This hierarchy consists of three broad levels: Level 1 inputs consist of unadjusted quoted prices in active markets for identical assets and have the highest priority. Level 2 inputs consist of observable inputs other than quoted prices for identical assets (Level 1). Level 3 inputs are unobservable and have the lowest priority. The Medical Center uses appropriate valuation techniques based on the available inputs to measure the fair value of its investments. Level 1 inputs were available for all investments at June 30, 2020 and 2019.

Level 1 Fair Value Measurements

The fair value of equity securities is based on the closing price reported in the active market where the individual security is traded, when available.

The following tables set forth, by level within the fair value hierarchy, the Medical Center's investments at fair value as of June 30, 2020 and 2019:

		Fair Value Measurements at Reporting Date Using: <u>Quoted Prices</u> in Active Markets for Identical Assets (Level 1)
<u>June 30, 2020</u>	<u>Fair Value</u>	
Equity securities	\$ 530,682	\$ 530,682
<u>June 30, 2019</u>		
Equity securities	\$ 685,378	\$ 685,378

MYRTUE MEDICAL CENTER
Notes to Financial Statements
June 30, 2020 and 2019

NOTE F - ACCOUNTS RECEIVABLE AND CONCENTRATION OF CREDIT RISK

The Medical Center grants credit without collateral to its patients, most of whom are local residents and are insured under third-party payor agreements. The mix of receivables from patients and third-party payors at June 30, 2020 and 2019, was as follows:

	2020	2019
Receivable from:		
Patients	\$ 2,619,354	\$ 2,948,873
Medicare	3,782,066	3,864,376
Medicaid	1,437,390	1,285,815
Wellmark	1,607,663	1,684,319
Other commercial insurance carriers	532,659	707,041
Others	182,260	314,692
	<u>10,161,392</u>	<u>10,805,116</u>
Less allowances for doubtful accounts and contractual adjustments	<u>3,086,000</u>	<u>3,062,000</u>
	<u>\$ 7,075,392</u>	<u>\$ 7,743,116</u>

NOTE G - CAPITAL ASSETS

Medical Center capital assets additions, disposals and balances for the years ended June 30, 2020 and 2019 were as follows:

Cost	Balance 2019	Additions	Disposals	Balance 2020
Land Improvements	\$ 693,187	\$ --	\$ --	\$ 693,187
Buildings	43,385,959	696,953	--	44,082,912
Fixed Equipment	4,497,289	145,871	38,819	4,604,341
Major Movable Equipment	17,763,320	1,107,629	216,159	18,654,790
	<u>66,339,755</u>	<u>1,950,453</u>	<u>254,978</u>	<u>68,035,230</u>
<u>Depreciation</u>				
Land Improvements	530,808	22,846	--	553,654
Buildings	18,719,398	1,521,325	--	20,240,723
Fixed Equipment	4,077,014	106,735	10,485	4,173,264
Major Movable Equipment	12,659,182	1,353,399	216,162	13,796,419
Total Depreciation	<u>35,986,402</u>	<u>3,004,305</u>	<u>226,647</u>	<u>38,764,060</u>
Depreciable Capital Assets, Net	<u>\$ 30,353,353</u>	<u>\$ (1,053,852)</u>	<u>\$ 28,331</u>	<u>\$ 29,271,170</u>
Non-depreciable Capital Assets:				
Land	\$ 1,819,048	\$ --	\$ --	\$ 1,819,048
Construction in progress	895,490	1,616,241	1,637,060	874,671
Non-depreciable Capital Assets	<u>\$ 2,714,538</u>	<u>\$ 1,616,241</u>	<u>\$ 1,637,060</u>	<u>\$ 2,693,719</u>

MYRTUE MEDICAL CENTER
Notes to Financial Statements
June 30, 2020 and 2019

NOTE G - CAPITAL ASSETS - Continued

<u>Cost</u>	<u>Balance 2018</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance 2019</u>
Land Improvements	\$ 693,187	\$ --	\$ --	\$ 693,187
Buildings	43,247,002	138,957	--	43,385,959
Fixed Equipment	4,497,289	--	--	4,497,289
Major Movable Equipment	<u>17,347,328</u>	<u>683,589</u>	<u>267,597</u>	<u>17,763,320</u>
	65,784,806	822,546	267,597	66,339,755
<u>Depreciation</u>				
Land Improvements	509,632	21,176	--	530,808
Buildings	17,340,071	1,379,327	--	18,719,398
Fixed Equipment	3,983,130	93,884	--	4,077,014
Major Movable Equipment	<u>11,404,415</u>	<u>1,485,069</u>	<u>230,302</u>	<u>12,659,182</u>
Total Depreciation	<u>33,237,248</u>	<u>2,979,456</u>	<u>230,302</u>	<u>35,986,402</u>
Depreciable Capital Assets, Net	<u>\$ 32,547,558</u>	<u>\$ (2,156,910)</u>	<u>\$ 37,295</u>	<u>\$ 30,353,353</u>
Non-depreciable Capital Assets:				
Land	\$ 1,819,048	\$ --	\$ --	\$ 1,819,048
Construction in progress	<u>104,158</u>	<u>1,078,163</u>	<u>286,831</u>	<u>895,490</u>
Non-depreciable Capital Assets	<u>\$ 1,923,206</u>	<u>\$ 1,078,163</u>	<u>\$ 286,831</u>	<u>\$ 2,714,538</u>

NOTE H - NON-CURRENT LIABILITIES

A schedule of changes in the Medical Center's non-current liabilities for the years ended June 30, 2020 and 2019 follows:

	<u>Balance 2019</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance 2020</u>	<u>Current Portion</u>
Long-Term Liabilities:					
2011 Capital loan notes	\$ 4,324,816	\$ --	\$ 932,795	\$ 3,392,021	\$ 896,578
PPP Loan	--	3,476,634	--	3,476,634	1,529,049
Net Pension Liability	<u>12,951,995</u>	<u>--</u>	<u>842,495</u>	<u>12,109,500</u>	<u>--</u>
	<u>\$ 17,276,811</u>	<u>\$ 3,476,634</u>	<u>\$1,775,290</u>	<u>\$ 18,978,155</u>	<u>\$ 2,425,627</u>

MYRTUE MEDICAL CENTER
Notes to Financial Statements
June 30, 2020 and 2019

NOTE H - NON-CURRENT LIABILITIES - Continued

	Balance 2018	Additions	Reductions	Balance 2019	Current Portion
Long-Term Liabilities:					
2011 Capital loan notes	\$ 5,106,891	\$ --	\$ 782,075	\$ 4,324,816	\$ 663,062
Net Pension Liability	<u>13,641,018</u>	<u>--</u>	<u>689,023</u>	<u>12,951,995</u>	<u>--</u>
	<u>\$ 18,747,909</u>	<u>\$ --</u>	<u>\$1,471,098</u>	<u>\$ 17,276,811</u>	<u>\$ 663,062</u>

2011 Capital Loan Notes

In December, 2011, the Medical Center issued \$10,000,000 of Hospital Revenue Capital Loan Notes. Combined principal and interest payments are scheduled to be made through May 1, 2025. The original interest rate on the outstanding balance of the Notes was 3.85%. As of August 1, 2014 the interest rate was revised to 3.35% and revised to 3.89% on June 1, 2019 based on the seven year Federal Home Loan Bank Des Moines fixed rate advance rate, plus 1.375%.

The Notes are payable only from the revenues of the Medical Center, and are secured by a first lien on its net revenues. The Notes are not general obligations of the county and shall not be paid in any manner by taxation.

Paycheck Protection Program Loan (PPP Loan)

The Paycheck Protection Program Loan was obtained in April, 2020 from the Small Business Administration in a principal amount of \$3,476,634 for the purpose of protecting payroll during the COVID-19 pandemic. The loan carries an interest rate of 1% on any amount that needs to be repaid but is subject to forgiveness if certain conditions are met. The Medical Center expects all proceeds to be forgiven.

Annual Debt Service

The annual debt service on the Notes is expected to require approximately 43% of the cash flow available for debt service. For the current year, debt service and cash flow available for debt service were approximately \$1,092,500 and \$2,533,700, respectively.

Scheduled principal and interest repayments on long-term debt are as follows:

Year Ending June 30,	Principal	Interest	Total
2021	\$ 2,425,627	\$ 156,562	\$ 2,582,189
2022	2,879,622	96,689	2,976,311
2023	968,899	43,606	1,012,505
2024	<u>594,507</u>	<u>7,875</u>	<u>602,382</u>
	<u>\$ 6,868,655</u>	<u>\$ 304,732</u>	<u>\$ 7,173,387</u>

The pension liability, as further described in Note J, represents an actuarial estimate of the Hospital's share of the Iowa Public Employee Retirement System (IPERS) unfunded pension liability.

MYRTUE MEDICAL CENTER
Notes to Financial Statements
June 30, 2020 and 2019

NOTE I - DEFERRED INFLOWS OF RESOURCES

The deferred inflows of resources include COVID-19 funding, insurance proceeds, succeeding year property tax, and pension plan earnings. The COVID-19 funding is to reimburse the Medical Center for lost revenues, and operating and capital cost due to COVID-19 through June 30, 2021. The insurance proceeds are to be used to repair property that was damaged. The succeeding year property tax represents taxes certified by the County Board of Supervisors to be collected in the next fiscal year for the purposes set out in the budget for that year. Pension earnings represents the net difference between projected and realized earnings on IPERS' investments.

	2020	2019
CARES Act COVID-19 funding	\$ 3,459,745	\$ --
Insurance proceeds	165,221	339,153
Succeeding year property tax	1,047,000	1,002,000
Pension earnings	1,892,800	781,954
	<u>\$ 6,564,766</u>	<u>\$ 2,123,107</u>

NOTE J - PENSION PLAN

Plan Description - IPERS membership is mandatory for employees of the Medical Center, except for those covered by another retirement system. Employees of the Medical Center are provided with pensions through a cost-sharing multiple employer defined benefit pension plan administered by Iowa Public Employees' Retirement System (IPERS). IPERS issues a stand-alone financial report which is available to the public by mail at P.O. Box 9117, Des Moines, Iowa 50306-9117 or at www.ipers.org.

IPERS benefits are established under Iowa Code chapter 97B and the administrative rules thereunder. Chapter 97B and the administrative rules are the official plan documents. The following brief description is provided for general informational purposes only. Refer to the plan documents for more information.

Pension Benefits - A Regular member may retire at normal retirement age and receive monthly benefits without an early-retirement reduction. Normal retirement age is age 65, any time after reaching age 62 with 20 or more years of covered employment or when the member's years of service plus the member's age at the last birthday equals or exceeds 88, whichever comes first. These qualifications must be met on the member's first month of entitlement to benefits. Members cannot begin receiving retirement benefits before age 55. The formula used to calculate a Regular member's monthly IPERS benefit includes:

- A multiplier based on years of service.
- The member's highest five-year average salary, except members with service before June 30, 2012 will use the highest three-year average salary as of that date if it is greater than the highest five-year average salary.

If a member retires before normal retirement age, the member's monthly retirement benefit will be permanently reduced by an early-retirement reduction. The early-retirement reduction is calculated differently for service earned before and after July 1, 2012. For service earned before July 1, 2012, the reduction is 0.25% for each month the member receives benefits before the member's earliest normal retirement age. For service earned on or after July 1, 2012, the reduction is 0.50% for each month the member receives benefits before age 65.

MYRTUE MEDICAL CENTER
Notes to Financial Statements
June 30, 2020 and 2019

NOTE J - PENSION PLAN - Continued

Generally, once a member selects a benefit option, a monthly benefit is calculated and remains the same for the rest of the member's lifetime. However, to combat the effects of inflation, retirees who began receiving benefits prior to July 1990 receive a guaranteed dividend with their regular November benefit payments.

Disability and Death Benefits - A vested member who is awarded federal Social Security disability or Railroad Retirement disability benefits is eligible to claim IPERS benefits regardless of age. Disability benefits are not reduced for early retirement. If a member dies before retirement, the member's beneficiary will receive a lifetime annuity or a lump-sum payment equal to the present actuarial value of the member's accrued benefit or calculated with a set formula, whichever is greater. When a member dies after retirement, death benefits depend on the benefit option the member selected at retirement.

Contributions - Contribution rates are established by IPERS following the annual actuarial valuation which applies IPERS' Contribution Rate Funding Policy and Actuarial Amortization Method. State statute limits the amount rates can increase or decrease each year to 1 percentage point. IPERS Contribution Rate Funding Policy requires the actuarial contribution rate be determined using the "entry age normal" actuarial cost method and the actuarial assumptions and methods approved by the IPERS Investment Board. The actuarial contribution rate covers normal cost plus the unfunded actuarial liability payment based on a 30-year amortization period. The payment to amortize the unfunded actuarial liability is determined as a level percentage of payroll based on the Actuarial Amortization Method adopted by the Investment Board.

In fiscal years 2020 and 2019, pursuant to the required rate, Regular members contributed 6.29% of covered payroll and the Medical Center contributed 9.44% of covered payroll for a total rate of 15.73%.

The Medical Center's contributions to IPERS for the years ended June 30, 2020 and 2019 totaled \$1,522,073 and \$1,505,653, respectively.

Net Pension Liabilities, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - At June 30, 2020 and 2019, the Medical Center reported a liability of \$12,109,500 and \$12,951,995, respectively for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2019 and 2018, respectively, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of those dates. The Medical Center's proportion of the net pension liability was based on the Medical Center's share of contributions to IPERS relative to the contributions of all IPERS participating employers. At June 30, 2019, the Medical Center's proportion was 0.209121%, which was an increase of 0.004451% from its proportion measured as of June 30, 2018.

MYRTUE MEDICAL CENTER
Notes to Financial Statements
June 30, 2020 and 2019

NOTE J - PENSION PLAN - Continued

For the year ended June 30, 2020 and 2019, the Medical Center recognized pension expense of \$2,325,233 and \$1,828,371, respectively. The Medical Center reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	2020 Deferred Outflows of Resources	2020 Deferred Inflows of Resources	2019 Deferred Outflows of Resources	2019 Deferred Inflows of Resources
Differences between expected and actual experience	\$ 33,571	\$ 435,394	\$ 71,014	\$ 292,736
Changes of assumptions	1,297,101	--	1,847,682	--
Net difference between projected and actual earnings on IPERS investments	--	1,364,595	--	355,879
Changes in proportion and differences between Hospital contributions and proportionate share of contributions	286,925	92,811	250,130	133,339
Hospital contributions subsequent to the measurement date	<u>1,522,073</u>	<u>--</u>	<u>1,505,653</u>	<u>--</u>
	<u>\$ 3,139,670</u>	<u>\$ 1,892,800</u>	<u>\$ 3,674,479</u>	<u>\$ 781,954</u>

Deferred outflows of resources related to pensions of \$1,522,073 and \$1,505,653 represent the amount the Medical Center contributed subsequent to the measurement date will be recognized as a reduction of the net pension liability in the years ending June 30, 2021 and 2020, respectively. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30,	2020 Amount	2019 Amount
2020	\$ --	\$ 951,736
2021	322,752	492,658
2022	(227,824)	(49,948)
2023	(171,544)	5,022
2024	(189,293)	(12,596)
2025	<u>(9,294)</u>	<u>--</u>
	<u>\$ (275,203)</u>	<u>\$ 1,386,872</u>

There were no non-employer contribution entities to IPERS.

MYRTUE MEDICAL CENTER
Notes to Financial Statements
June 30, 2020 and 2019

NOTE J - PENSION PLAN - Continued

Actuarial Assumptions - The total pension liability in the June 30, 2019 actuarial valuation was determined using the following actuarial assumptions applied to all periods included in the measurement:

Rate of Inflation (effective June 30, 2017)	2.60% per annum.
Rates of salary increases (effective June 30, 2017)	3.25% to 16.25%, average, including inflation. Rates vary by membership group.
Long-term investment rate of return (effective June 30, 2017)	7.00% compounded annually, net of investment expense, including inflation.
Wage growth (effective June 30, 2017)	3.25% per annum based on 2.60% inflation and 0.65% real wage inflation.

The actuarial assumptions used in the June 30, 2019 valuation were based on the results of an economic assumption study dated March 24, 2017 and a demographic assumption study dated June 28, 2018.

Mortality rates used in the 2019 valuation were based on the RP-2014 Employee and Healthy Annuitant Tables with MP-2017 generational adjustments.

The long-term expected rate of return on IPERS' investments was determined using a building-block method in which best-estimate ranges of expected future real rates (expected returns, net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Asset Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic equity	22.0%	5.60%
International equity	15.0	6.08
Global smart beta equity	3.0	5.82
Core plus fixed income	27.0	1.71
Public credit	3.5	3.32
Public real assets	7.0	2.81
Cash	1.0	(0.21)
Private equity	11.0	10.13
Private real assets	7.5	4.76
Private credit	3.0	3.01
Total	<u>100%</u>	

MYRTUE MEDICAL CENTER
Notes to Financial Statements
June 30, 2020 and 2019

NOTE J - PENSION PLAN - Continued

Discount Rate - The discount rate used to measure the total pension liability was 7.0%. The projection of cash flows used to determine the discount rate assumed employee contributions will be made at the contractually required rate and contributions from the Medical Center will be made at contractually required rates, actuarially determined. Based on those assumptions, IPERS' fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on IPERS' investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Medical Center's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - The following presents the Medical Center's proportionate share of the net pension liability calculated using the discount rate of 7.00%, as well as what the Medical Center's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1% lower (6.00%) or 1% higher (8.00%) than the current rate.

	1% Decrease (6.00%)	Discount Rate (7.00%)	1% Increase (8.00%)
Medical Center's proportionate share of the net pension liability - June 30, 2020	\$ 21,502,563	\$ 12,109,500	\$ 4,230,702
	1% Decrease (6.00%)	Discount Rate (7.00%)	1% Increase (8.00%)
Medical Center's proportionate share of the net pension liability - June 30, 2019	\$ 21,982,138	\$ 12,951,995	\$ 5,377,047

IPERS' Fiduciary Net Position - Detailed information about IPERS' fiduciary net position is available in the separately issued IPERS financial report which is available on IPERS' website at www.ipers.org.

Payables to IPERS - At June 30, 2020 and 2019, the Medical Center reported payables to IPERS of \$114,896 and \$115,857, respectively, for legally required employer contributions and \$76,557 and \$77,196, respectively for legally required employee contributions withheld from employee wages which had not yet been remitted to IPERS.

MYRTUE MEDICAL CENTER
Notes to Financial Statements
June 30, 2020 and 2019

NOTE K - RELATED ORGANIZATIONS

Shelby County Medical Corporation

Shelby County Medical Corporation (SCMC) employs the physicians who staff the Medical Center owned Rural Health Clinics. The Medical Center purchases the physician services at a set cost per Relative Value Unit (RVU). SCMC is paid at an interim monthly rate, with a net settlement determined at year end, based on the total RVUs provided. The Medical Center provides limited administrative services to assist SCMC in its operations.

Below, and in the following section is information about transactions between the Medical Center and SCMC:

	<u>2020</u>	<u>2019</u>
Purchase of services from SCMC	\$ <u>4,051,878</u>	\$ <u>4,112,281</u>
Sale of services to SCMC	\$ <u>48,000</u>	\$ <u>48,000</u>
Amount receivable from (due to) SCMC at year end	\$ <u>15,529</u>	\$(<u>159,959</u>)
Prepaid physician service contract with SCMC	\$ <u>527,663</u>	\$ <u>361,764</u>

Health Partners of Southwest Iowa

The Medical Center has joined with two other area hospitals (Cass County Memorial Hospital of Atlantic and Montgomery County Memorial Hospital of Red Oak) to form a 28E organization, Health Partners of Southwest Iowa (HPSI). The organization was formed to share ideas, capital, and resources and to assist in the containment of healthcare costs, while improving the quality of healthcare being delivered in the member hospital service areas. Each of the three members purchase mobile scanning and other medical services from the organization.

Below is a summary of the Medical Center's transactions with HPSI and year end balances involving the 28E organization:

	<u>2020</u>	<u>2019</u>
Services purchased from HPSI	\$ <u>159,721</u>	\$ <u>192,162</u>
Services sold to HPSI	\$ <u>261,633</u>	\$ <u>292,940</u>
Amount due from (to) HPSI	\$ <u>3,805</u>	\$ <u>2,930</u>
Member share of net position	\$ <u>601,415</u>	\$ <u>535,098</u>

The member share of net position is included in other assets and the amounts due from (to) HPSI are included in other receivables and accounts payable on the statement of net position. The Medical Center has no ongoing financial interest in or responsibility to HPSI, other than that disclosed above. Financial statements of HPSI will be on file at the Medical Center and the office of the State Auditor.

MYRTUE MEDICAL CENTER
Notes to Financial Statements
June 30, 2020 and 2019

NOTE L - OTHER POST EMPLOYMENT BENEFITS (OPEB)

Plan Description: The Medical Center operates a single-employer health benefit plan which provides medical/prescription drug benefits for employees, retirees and their spouses. Group insurance benefits are established under Iowa Code Chapter 509A.13. The Medical Center currently finances the benefit plan on a pay-as-you-go basis. For the year ended June 30, 2020, the Medical Center contributed \$2,597,347 and plan members eligible for benefits contributed \$788,961 to the plan. At June 30, 2020, no assets have been accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75.

OPEB Benefits: Individuals who are employed by Myrtue Medical Center and are eligible to participate in the group health plan are eligible to continue healthcare benefits upon retirement. Retirees under age 65 pay the same premium for the medical/prescription drug benefits as active employees, which results in an implicit rate subsidy.

Retired participants must be age 55 or older at retirement, with the exception of special service participants who must be age 50 with 22 years of services. At June 30, 2020, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	4
Active employees	<u>245</u>
Total	<u>249</u>

Net OPEB Obligation: Management of the Medical Center considers any OPEB obligation, which may exist, to be immaterial. No liability has been recorded.

NOTE M - COMMITMENTS AND CONTINGENCIES

Shelby County Ambulance Commission

The Medical Center has committed to participate in the support of the Shelby County Ambulance Commission along with the City of Harlan. The Commission is a private corporation which provides ambulance services to Shelby County and surrounding communities. The Medical Center has agreed to provide financial support totaling \$112,200 in 2020-21.

MYRTUE MEDICAL CENTER
Notes to Financial Statements
June 30, 2020 and 2019

NOTE M - COMMITMENTS AND CONTINGENCIES - Continued

Self Funded Health/Disability Insurance

The Medical Center has established an employee health and disability insurance fund. Under the self-insured plan, the Medical Center pays health claims from this fund up to maximum limits and carries stop loss insurance for health claims in excess of the limits. In addition, the Medical Center pays sixty percent of a disabled employee's salary for up to six months, and carries long-term disability insurance for claims longer than a six month period. At June 30, 2020 and 2019 the Medical Center had accumulated funds in excess of actual claims paid of approximately \$1,719,620 and \$2,698,100, respectively. These funds, shown under designated and restricted assets, are designated by the Board to pay claims as they are filed in the future. An allowance for unpaid claims at June 30, 2020 of approximately \$217,000 (\$139,000 in 2019) is included in current liabilities.

Notes Receivable

The Medical Center has provided financial aid to several medical occupation students enabling them to complete their education. In exchange for the aid, the Medical Center receives promissory notes and the commitment of the students to pursue their medical occupation in the Harlan area for a specified period of time upon graduation from the programs. The promissory notes contain clauses indicating they will be forgiven on a pro rata basis as the commitments are fulfilled. If the students fail to fulfill the commitments, the notes are to be repaid, including interest.

Risk Management

The Medical Center is insured by a claims-made policy for protection against liability claims resulting from professional services provided or which should have been provided. Management believes that the malpractice insurance coverage is adequate to cover all asserted and any unasserted claims, therefore no related liability has been accrued. Myrtue Medical Center is exposed to various other common business risks for which it is covered by commercial insurance. Settled claims from these risks have not exceeded insurance coverage during any of the past three fiscal years.

Construction Project

At June 30, 2020, the Medical Center had expended approximately \$874,671 on several ongoing projects with an estimated \$750,000 remaining to complete them. Funding for the costs will be provided through existing and internally generated funds.

CARES Act - Provider Relief Funds

The Medical Center has recognized Provider Relief Funds revenue in these financial statements totaling \$2,125,217 for reimbursement of expenses and lost revenue due to COVID-19 based on guidance as of the date of the report. Guidance could change when the final rules are issued, which could change the amount of revenue currently recognized.

Subsequent Events

The Medical Center has evaluated all subsequent events through January 21, 2021, the date the financial statements were available to be issued.

MYRTUE MEDICAL CENTER
Notes to Financial Statements
June 30, 2020 and 2019

NOTE N - MATTERS AFFECTING CURRENT AND SUBSEQUENT YEARS OPERATIONS

On March 11, 2020 the World Health Organization declared the Novel Coronavirus (COVID-19) a global pandemic and recommended containment and mitigation measures worldwide. As of March 16, 2020 the Medical Center limited operations per recommendations of the Governor and Department of Public Health and remained limited through June 1, 2020 when the Medical Center reopened with modification to operations. The Medical Center cannot reasonably estimate the length or severity of this pandemic, or the extent to which the disruption may materially impact the Medical Center's financial position, result of its changes in net position or cash flows in 2021 and after.

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REQUIRED SUPPLEMENTARY INFORMATION

MYRTUE MEDICAL CENTER
Budgetary Comparison Schedule
Year Ended June 30, 2020

This budgetary comparison is presented as Required Supplementary Information in accordance with Government Auditing Standards. In accordance with the Code of Iowa, the Board of Trustees annually adopts a budget following required public notice and hearings. The annual budget may be amended during the year utilizing similar statutorily-prescribed procedures. The following is a reconciliation between reported amounts and the accrual basis used to prepare the budget. The adjustments result from accounting for interest, ambulance service, gain (loss) on disposal of assets, and net position differently for financial statement and budget purposes.

	Per Financial Statements		
	Unrestricted Fund	Restricted Fund	Total
Amount raised by taxation	\$ 1,018,536	\$ --	\$ 1,018,536
Other revenues	41,085,737	3,620,504	44,706,241
Transfers in (out)	<u>148,893</u>	<u>(148,893)</u>	<u>--</u>
	42,253,166	3,471,611	45,724,777
Expenses	<u>44,439,003</u>	<u>--</u>	<u>44,439,003</u>
Net	(2,185,837)	3,471,611	1,285,774
Balance beginning of year	<u>37,252,544</u>	<u>628,118</u>	<u>37,880,662</u>
Balance end of year	<u>\$ 35,066,707</u>	<u>\$ 4,099,729</u>	<u>\$ 39,166,436</u>

	Total Financial Statements	Budget Adjustments	Budget Basis	Adopted Budget
Amount raised by taxation	\$ 1,018,536	\$ --	\$ 1,018,536	\$ 1,002,202
Other revenues	<u>44,706,241</u>	<u>280,567</u>	<u>44,986,808</u>	<u>48,099,721</u>
	45,724,777	280,567	46,005,344	49,101,923
Expenses	<u>44,439,003</u>	<u>280,567</u>	<u>44,719,570</u>	<u>47,262,200</u>
Net	1,285,774	--	1,285,774	1,839,723
Balance beginning of year	<u>37,880,662</u>	<u>117,533</u>	<u>37,998,195</u>	<u>37,998,195</u>
Balance end of year	<u>\$ 39,166,436</u>	<u>\$ 117,533</u>	<u>\$ 39,283,969</u>	<u>\$ 39,837,918</u>

See Independent Auditor's Report.

MYRTUE MEDICAL CENTER
Schedule of the Medical Center's Proportionate Share of the Net Pension Liability

Iowa Public Employees' Retirement System
For the Last Six Years

Required Supplementary Information

	<u>2020</u>	<u>2019</u>
Medical Center's proportion of the net pension liability	.209121%	.204670%
Medical Center's proportionate share of the net pension liability	\$ 12,110,000	\$ 12,952,000
Medical Center's covered payroll	\$ 15,949,700	\$ 15,405,700
Medical Center's proportionate share of the net pension liability as a percentage of its covered payroll	75.93%	84.07%
IPERS' net position as a percentage of the total pension liability	85.45%	83.62%

Note - In accordance with GASB Statement No. 68, the amounts presented for each fiscal year were determined as of June 30 of the preceding year. Amounts reported are rounded.

See Independent Auditor's Report.

<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
.204781%	.198924%	.203892%	.203758%
\$ 13,641,000	\$ 12,519,000	\$ 10,073,000	\$ 8,033,000
\$ 15,297,000	\$ 14,285,000	\$ 13,982,000	\$ 13,260,000
89.17%	87.64%	72.04%	60.58%
82.21%	81.82%	85.19%	87.61%

MYRTUE MEDICAL CENTER
Schedule of Medical Center Contributions

Iowa Public Employees' Retirement System
For the Last Ten Years

Required Supplementary Information

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Statutorily required contribution	\$ 1,522,100	\$ 1,505,700	\$ 1,375,700	\$ 1,366,000
Contributions in relation to the statutorily required contribution	<u>(1,522,100)</u>	<u>(1,505,700)</u>	<u>(1,375,700)</u>	<u>(1,366,000)</u>
Contribution deficiency (excess)	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>
Medical Center's covered payroll	\$ 16,123,700	\$ 15,949,700	\$ 15,405,700	\$ 15,297,000
Contributions as a percentage of covered payroll	9.44%	9.44%	8.93%	8.93%

Note - Amounts reported are rounded.

See Independent Auditor's Report.

<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
\$ 1,275,700	\$ 1,249,000	\$ 1,184,000	\$ 1,111,500	\$ 1,001,300	\$ 819,000
<u>(1,275,700)</u>	<u>(1,249,000)</u>	<u>(1,184,000)</u>	<u>(1,111,500)</u>	<u>(1,001,300)</u>	<u>(819,000)</u>
<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>
\$ 14,285,000	\$ 13,982,000	\$ 13,260,000	\$ 12,820,000	\$ 12,407,000	\$ 11,798,000
8.93%	8.93%	8.93%	8.67%	8.07%	6.94%

MYRTUE MEDICAL CENTER
Notes to Required Supplementary Information - Pension Liability
Year Ended June 30, 2020

Changes of benefit terms:

There are no significant changes in benefit terms from the member's first unreduced retirement age to a 6% reduction for each year of retirement before age 65.

Changes of assumptions:

The 2018 valuation implemented the following refinements as a result of a demographic assumption study dated June 28, 2018:

- Changed mortality assumptions to the RP-2014 mortality tables with mortality improvements modeled using Scale MP-2017.
- Adjusted retirement rates.
- Lowered disability rates.
- Adjusted the probability of a vested Regular member electing to receive a deferred benefit.
- Adjusted the merit component of the salary increase assumption.

The 2017 valuation implemented the following refinements as a result of an experience study dated March 24, 2017:

- Decreased the inflation assumption from 3.00% to 2.60%.
- Decreased the assumed rate of interest on member accounts from 3.75% to 3.50% per year.
- Decreased the discount rate from 7.50% to 7.00%.
- Decreased the wage growth assumption from 4.00% to 3.25%.
- Decreased the payroll growth assumption from 4.00% to 3.25%.

The 2014 valuation implemented the following refinements as a result of a quadrennial experience study:

- Decreased the inflation assumption from 3.25% to 3.00%.
- Decreased the assumed rate of interest on member accounts from 4.00% to 3.75% per year.
- Adjusted male mortality rates for retirees in the Regular membership group.
- Reduced retirement rates for sheriffs and deputies between the ages of 55 and 64.
- Moved from an open 30 year amortization period to a closed 30 year amortization period for the UAL (unfunded actuarial liability) beginning June 30, 2014. Each year thereafter, changes in the UAL from plan experience will be amortized on a separate closed 20 year period.

* * *

SUPPLEMENTARY INFORMATION

MYRTUE MEDICAL CENTER
Patient Receivables
June 30,

Analysis of Aging:

<u>Days Since Discharge</u>	<u>2020</u>		<u>2019</u>	
	<u>Amount</u>	<u>Percent to Total</u>	<u>Amount</u>	<u>Percent to Total</u>
0 - 30	\$ 5,507,231	54.20%	\$ 6,173,134	57.2%
31 - 90	1,363,487	13.42	1,947,278	18.0
91 - 180	1,465,896	14.42	1,017,651	9.4
181 - 365	1,246,448	12.27	941,303	8.7
Over 365	578,330	5.69	725,750	6.7
	<u>10,161,392</u>	<u>100.0%</u>	<u>10,805,116</u>	<u>100.0%</u>
Less:				
Allowance for doubtful accounts	834,000		779,000	
Allowance for contractual adjustments	<u>2,252,000</u>		<u>2,283,000</u>	
	<u>\$ 7,075,392</u>		<u>\$ 7,743,116</u>	

Allowance for Doubtful Accounts:

	<u>Year Ended June 30,</u>	
	<u>2020</u>	<u>2019</u>
Balance, beginning	\$ 779,000	\$ 596,000
Provision for bad debts	1,003,126	836,147
Recoveries of accounts previously written off	<u>218,329</u>	<u>331,959</u>
	2,000,455	1,764,106
Accounts written off	<u>1,166,455</u>	<u>985,106</u>
Balance, ending	<u>\$ 834,000</u>	<u>\$ 779,000</u>

See Independent Auditor's Report.

MYRTUE MEDICAL CENTER
Patient Service Revenue
Year ended June 30,

	2020	
	<u>Inpatient</u>	<u>Swing-Bed</u>
<u>Daily Patient Services</u>		
Medical, surgical and obstetrical	\$ 1,807,050	\$ 313,200
Nursery	132,128	--
	<u>1,939,178</u>	<u>313,200</u>
<u>Other Nursing Services</u>		
Observation beds	--	--
Clinic room	--	--
Operating and recovery room	425,384	2,244
Delivery and labor room	331,735	--
Emergency service	3,526	--
Medical supplies	920,581	5,181
	<u>1,681,226</u>	<u>7,425</u>
<u>Other Professional Services</u>		
Emergency room physicians	--	--
Laboratory	664,696	111,846
Electrocardiology	31,977	2,052
Cardiac rehabilitation	--	--
Radiology	55,976	9,634
CT scanning	263,836	24,225
Nuclear imaging	3,244	--
Ultrasound	31,250	2,847
MRI	58,253	--
Pharmacy	1,538,194	375,604
Chemotherapy	--	--
Anesthesia	225,782	--
Respiratory therapy	386,808	112,869
Sleep studies	--	--
Physical therapy	307,787	254,003
Occupational therapy	170,692	188,670
Speech therapy	20,533	19,262
Home health	--	--
Hospice	--	--
Public health	--	--
Wellness center	--	--
Occupational health outreach	--	--
Senior life solutions	--	--
Other	195	--
	<u>3,759,223</u>	<u>1,101,012</u>

(continued next page)

2020			2019
Outpatient	Physician Services	Total	Total
\$ 879,630	\$ --	\$ 2,999,880	\$ 3,241,654
--	--	132,128	114,341
879,630	--	3,132,008	3,355,995
670,653	--	670,653	666,296
3,166,599	--	3,166,599	3,291,198
3,471,751	--	3,899,379	4,557,545
41,482	--	373,217	337,007
2,498,532	--	2,502,058	2,606,394
2,433,996	--	3,359,758	3,385,405
12,283,013	--	13,971,664	14,843,845
--	1,486,799	1,486,799	1,548,152
8,431,478	--	9,208,020	8,524,438
629,179	--	663,208	692,660
268,893	--	268,893	300,600
2,451,791	1,146	2,518,547	2,527,986
4,217,826	--	4,505,887	4,683,063
297,185	--	300,429	349,100
986,194	--	1,020,291	1,093,580
1,588,934	--	1,647,187	1,638,577
5,989,968	--	7,903,766	8,647,643
3,423,213	--	3,423,213	3,206,469
1,139,986	--	1,365,768	1,441,415
206,879	--	706,556	752,742
555,402	--	555,402	568,256
2,953,484	--	3,515,274	3,940,798
278,588	--	637,950	786,335
170,179	--	209,974	249,165
721,921	--	721,921	794,987
1,248,474	--	1,248,474	1,418,464
368,670	--	368,670	368,836
623,452	--	623,452	781,250
21,930	--	21,930	1,902
215,940	--	215,940	--
10,269	--	10,464	10,978
36,799,835	1,487,945	43,148,015	44,327,396

MYRTUE MEDICAL CENTER
Patient Service Revenue - Continued
Year ended June 30,

	<u>2020</u>	
	<u>Inpatient</u>	<u>Swing-Bed</u>
<u>Behavioral Health</u>	\$ 2,400	\$ --
<u>Physician Clinic Services</u>		
Harlan	--	--
Avoca	--	--
Elk Horn	--	--
Shelby	--	--
Earling	--	--
	<u>--</u>	<u>--</u>
Total All Services	<u>\$ 7,382,027</u>	<u>\$ 1,421,637</u>

See Independent Auditor's Report.

2020			2019
Outpatient	Physician Services	Total	Total
\$ 3,663,476	\$ --	\$ 3,665,876	\$ 3,128,180
--	7,645,392	7,645,392	7,432,174
--	351,406	351,406	379,421
--	294,579	294,579	313,275
--	601,996	601,996	549,410
--	272,961	272,961	287,428
--	9,166,334	9,166,334	8,961,708
<u>\$ 53,625,954</u>	<u>\$ 10,654,279</u>	<u>\$ 73,083,897</u>	<u>\$ 74,617,124</u>

MYRTUE MEDICAL CENTER
Revenue and Related Adjustments
Year ended June 30,

	<u>2020</u>	<u>2019</u>
<u>Net Patient Service Revenue</u>		
Patient service revenue	\$ 73,083,897	\$ 74,617,124
Contractual adjustment	(29,399,869)	(31,151,977)
Provision for bad debts	(1,003,126)	(836,147)
Charity Care	(145,424)	(176,557)
Administrative adjustments	<u>(595,884)</u>	<u>(544,290)</u>
	<u>\$ 41,939,594</u>	<u>\$ 41,908,153</u>
 <u>Other Revenue</u>		
Cafeteria	\$ 130,509	\$ 129,499
Rental income	24,707	33,123
Operating grants	198,681	140,461
Other	<u>316,198</u>	<u>533,168</u>
	<u>\$ 670,095</u>	<u>\$ 836,251</u>

See Independent Auditor's Report.

MYRTUE MEDICAL CENTER
Schedule of Expenses
Year ended June 30,

	2020		
	Salaries and Wages	Employee Benefits	Supplies and Other Expenses
<u>Daily Patient Services</u>			
Nursing service	\$ 2,408,240	\$ 801,101	\$ 141,740
Special care	181	48	--
Total daily patient services	2,408,421	801,149	141,740
<u>Other Nursing Services</u>			
Clinic room	439,111	135,169	20,245
Operating and recovery room	549,781	202,464	418,464
Delivery and labor room	259,790	83,516	25,239
Emergency service	468,839	128,773	83,887
Medical supplies	119,582	49,936	777,271
Intravenous therapy	--	--	77
Total other nursing services	1,837,103	599,858	1,325,183
<u>Other Professional Services</u>			
Emergency room physicians	85,478	14,345	--
Laboratory	651,046	248,490	635,978
Electrocardiology	25,572	9,572	12,063
Cardiac rehabilitation	39,288	11,813	8,256
Radiology	579,256	212,926	333,229
CT scanning	--	--	95,592
Nuclear imaging	--	--	49,386
MRI	--	--	192,993
Pharmacy	436,456	123,937	1,492,821
Chemotherapy	78,417	21,562	1,154,189
Anesthesia	677,316	139,838	44,165
Respiratory therapy	245,426	72,808	53,846
Sleep studies	--	--	149,626
Physical therapy	23,680	10,511	69,476
Occupational therapy	--	--	--
Speech therapy	--	--	--
Home health	433,008	130,415	30,861
Public health	288,659	72,389	115,091
Hospice	369,761	97,794	360,275
Occupational health outreach	113,230	31,731	14,006
Wellness center	386,855	322,656	248,817
Medical records	359,427	153,636	159,044
Covid-19	--	--	203,084
Senior life solutions	10,194	8,347	12,890
Total other professional services	4,803,069	1,682,770	5,435,688

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2020			2019
Professional Fees	Depreciation Expense	Total Expenses	Total Expenses
\$ 118,481	\$ 78,001	\$ 3,547,563	\$ 3,504,337
--	--	229	--
118,481	78,001	3,547,792	3,504,337
360,950	25,487	980,962	952,202
833,453	184,296	2,188,458	1,949,545
--	32,087	400,632	352,942
--	26,023	707,522	613,401
--	8,750	955,539	994,280
--	--	77	--
1,194,403	276,643	5,233,190	4,862,370
689,996	--	789,819	707,121
319,233	27,192	1,881,939	1,782,267
--	5,050	52,257	50,608
--	2,808	62,165	55,700
--	176,143	1,301,554	1,311,155
--	113,645	209,237	218,878
--	--	49,386	71,203
--	--	192,993	202,619
--	574	2,053,788	1,870,489
--	1,348	1,255,516	1,180,830
126,039	25,735	1,013,093	963,052
--	6,211	378,291	350,031
--	647	150,273	163,881
1,256,305	13,190	1,373,162	1,487,469
218,672	--	218,672	248,339
78,407	--	78,407	93,158
100,899	13,168	708,351	762,951
--	5,861	482,000	470,997
--	6,559	834,389	853,815
254	--	159,221	153,291
16,735	38,332	1,013,395	1,047,383
--	1,059	673,166	617,661
--	--	203,084	--
213,546	--	244,977	--
3,020,086	437,522	15,379,135	14,662,898

MYRTUE MEDICAL CENTER
Schedule of Expenses - continued
Year ended June 30,

	2020		
	Salaries and Wages	Employee Benefits	Supplies and Other Expenses
<u>Behavioral Health</u>	\$ 1,058,610	\$ 374,380	\$ 159,722
<u>Physician Clinic Services</u>			
Harlan	2,722,719	709,355	606,614
Avoca	189,654	46,936	39,430
Elk Horn	223,528	57,796	31,881
Shelby	268,262	62,356	41,971
Earling	176,306	56,734	28,294
Total physician clinic services	3,580,469	933,177	748,190
<u>General Services</u>			
Dietary	481,024	180,498	244,203
Plant engineering	195,252	104,055	569,641
Housekeeping	297,324	166,630	71,629
Laundry and linen	39,497	13,778	91,026
Total general services	1,013,097	464,961	976,499
<u>Fiscal and Administrative</u>	2,017,139	877,712	1,782,735
<u>General Depreciation</u>	--	--	--
Total all departments	\$ 16,717,908	\$ 5,734,007	\$ 10,569,757

See Independent Auditor's Report.

<u>2020</u>			<u>2019</u>
<u>Professional Fees</u>	<u>Depreciation Expense</u>	<u>Total Expenses</u>	<u>Total Expenses</u>
\$ --	\$ 1,458	\$ 1,594,170	\$ 1,415,006
2,707,371	14,479	6,760,538	6,703,172
63,600	864	340,484	381,054
37,200	281	350,686	372,689
37,200	176	409,965	390,872
18,600	--	279,934	291,279
<u>2,863,971</u>	<u>15,800</u>	<u>8,141,607</u>	<u>8,139,066</u>
--	721	906,446	883,264
--	107,418	976,366	1,033,042
--	1,288	536,871	485,726
--	--	144,301	149,961
<u>--</u>	<u>109,427</u>	<u>2,563,984</u>	<u>2,551,993</u>
412,925	514,877	5,605,388	5,595,196
<u>--</u>	<u>1,570,577</u>	<u>1,570,577</u>	<u>1,494,387</u>
<u>\$ 7,609,866</u>	<u>\$ 3,004,305</u>	<u>\$ 43,635,843</u>	<u>\$ 42,225,253</u>

MYRTUE MEDICAL CENTER
Comparative Statistics
Year ended June 30,

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Acute Care:					
Admissions	623	666	704	775	765
Discharges	620	668	703	776	768
Patient days	2,053	2,188	2,159	2,649	2,533
Average length of stay	3.4	3.3	3.1	3.4	3.3
Average occupied beds	5.6	6.0	5.9	7.3	6.9
Swing Bed:					
Admissions	126	156	170	192	186
Discharges	130	159	171	191	194
Patient days	810	1,112	1,330	1,430	1,391
Combined Average Occupied Beds	7.8	9.0	9.6	11.2	10.7
Nursery Days	156	141	151	165	191
Outpatient Visits	52,011	54,945	51,729*	32,078	33,876
Physician Clinic Visits	34,539	37,221	43,352	45,851	38,817

* Method of accumulating occasions changed with computer system transition during 2018 year.

See Independent Auditor's Report.

COMMENTS AND RECOMMENDATIONS

Gronewold, Bell, Kyhnn & Co. P.C.

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Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards

To the Board of Trustees
Myrtue Medical Center
Harlan, Iowa

We have audited in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of Myrtue Medical Center as of and for the years ended June 30, 2020 and 2019, and the related notes to financial statements, and have issued our report thereon dated January 21, 2021.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Myrtue Medical Center's internal control over financial reporting to determine the audit procedures appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Myrtue Medical Center's internal control. Accordingly, we do not express an opinion on the effectiveness of Myrtue Medical Center's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the Medical Center's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Findings and Responses that we consider to be a significant deficiency: 20-I-A.

To the Board of Trustees
Myrtue Medical Center

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Myrtue Medical Center's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted a certain immaterial instance of non-compliance or other matter which is described in Part II of the accompanying Schedule of Findings and Responses.

Comments involving statutory and other legal matters about the Medical Center's operations for the year ended June 30, 2020 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the Medical Center. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Myrtue Medical Center's Responses to Findings

Myrtue Medical Center's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Responses. Myrtue Medical Center's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing and not to provide an opinion on the effectiveness of the Medical Center's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Medical Center's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Gravel, Beer, Kohn & Co., P.C.

Atlantic, Iowa
January 21, 2021

MYRTUE MEDICAL CENTER
Schedule of Findings and Responses
Year ended June 30, 2020

PART I - INTERNAL CONTROL DEFICIENCIES

20-I-A Segregation of Duties:

Criteria: Management is responsible for establishing and maintaining internal control. A good system of internal control provides for adequate segregation of duties so no one individual handles a transaction from its inception to completion. In order to maintain proper internal control, duties should be segregated so the authorization, custody and recording of transactions are not under the control of the same employee. This segregation of duties helps prevent losses from employee error or dishonesty and maximizes the accuracy of the Medical Center's financial statements.

Condition: A limited number of people have the primary responsibility for most of the accounting and financial reporting duties.

Cause: The Medical Center has a limited number of employees which does not allow procedures to be established to adequately segregate duties or provide compensating controls through additional oversight of transactions and processes.

Effect: Inadequate segregation of duties could adversely affect the Medical Center's ability to prevent or detect and correct misstatements, errors or misappropriation on a timely basis by employees in the normal course of performing their assigned functions.

Recommendation: We recognize that it may not be economically feasible for the Medical Center to employ additional personnel for the sole purpose of segregating duties, however, it is our professional responsibility to bring this control deficiency to your attention. We recommend that the Board be aware of the lack of segregation of duties and that they act as an oversight group to the accounting personnel.

Response: The Board is aware of this lack of segregation of duties, but it is not economically feasible for the Medical Center to employ additional personnel for this reason. The Board will continue to act as an oversight group.

Conclusion: Response accepted.

MYRTUE MEDICAL CENTER
Schedule of Findings and Responses
Year ended June 30, 2020

PART II - OTHER FINDINGS RELATED TO REQUIRED STATUTORY REPORTING

20-II-A Certified Budget: Medical Center expenditures during the year ended June 30, 2020 did not exceed amounts budgeted.

20-II-B Questionable Expenses: During the audit, we noted a certain expenditure approved in the Board minutes that may not meet the requirements of public purpose as defined in the Attorney General's opinion dated April 25, 1979. The expense was as follows:

<u>Paid to</u>	<u>Purpose</u>	<u>Amount</u>
Lidderdale Country Store, Inc.	Employee recognition dinner	\$ 7,860

According to the opinion, it is possible for certain expenses to meet the test of serving a public purpose under certain circumstances, although such expenses will certainly be subject to a deserved close scrutiny. The line to be drawn between a proper and an improper purpose is very thin.

Recommendation: We recommend that the Board continue to document the public purpose of such an expenditure before authorization is given.

Response: The expenditure is considered part of the employee benefit package and the Board feels it meets the requirements of public purpose as defined by the Attorney General's opinion dated April 25, 1979.

Conclusion: Response accepted.

20-II-C Travel Expense: No expenditures of Medical Center money for travel expenses of spouses of Medical Center officials and/or employees were noted.

20-II-D Business Transactions: During our audit, we noted no business transactions with Medical Center employees or officials.

20-II-E Restricted Donor Activity: No transactions were noted between the Medical Center, Medical Center officials, Medical Center employees and restricted donors in compliance with Chapter 68B of the Code of Iowa.

20-II-F Board Minutes: No transactions were found that we believe should have been approved in the Board minutes but were not.

20-II-G Deposits and Investments: We noted no instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the Medical Center's investment policy.

* * *